

Message Text

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ACTION ABF-01

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 5191

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E.O. 11652: N/A

TAGS: EFIN, IN

SUBJECT: RUPEES: COOLEY B RECEIPTS AND OBLIGATIONS:
GRANT TO ST. JOHNS

REF: A. STATE 144385 B. NEW DELHI 8962 C. STATE 158683
D. EMBASSY PAPERS ON COOLEY A AND B

1. WE HAVE BEEN SEEKING FOR SOME MONTHS TO ESTABLISH THE CURRENT STATUS OF FUNDING AND OBLIGATIONS FOR THE COOLEY B ACCOUNT. DESPITE LENGTHY PAPERS ON THIS SUBJECT (REF D) WE HAVE HAD NO REPLY. THIS MESSAGE ATTEMPTS TO SET OUT ANTICIPATED RECEIPTS AND OTHER SOURCES OF FUNDING AS WELL AS PROBABLY EXPENDITURES. IT CONCLUDES THAT EVEN UNDER THE MOST PESSIMISTIC ASSUMPTIONS THERE IS AN AMPLE SURPLUS IN COOLEY B AND THAT THE DECISION TO APPROVE A GRANT OF RS. 26 MILLION TO ST. JOHNS SHOULD BE IMPLEMENTED IMMEDIATELY.

2. RECEIPTS: OUR ESTIMATE OF COOLEY REFLOWS INTO THE COOLEY "B" ACCOUNT IS AS FOLLOWS:
RS. 44.1MILLION IN US FY 1974
RS. 180.2 MILLION IN US FY 1975
RS. 144.6 MILLION IN US FY 1976
RS. 140.4 MILLION IN US FY 1977
FOR A TOTAL OF RS. 509.3 MILLION.
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3. IN ADDITION TO THESE REFLOWS WE BELIEVE IT IS REASONABLE TO "CREDIT" COOLEY B WITH RESOURCES FROM TWO OTHER SOURCES AS FOLLOW:

ON FEBRUARY 18,1974 (DATE OF THE RUPEE AGREE-MENT) WE HELD APPROXIMATELY RS. 56 MILLION IN CURRENT ACCOUNTS IN U.S. AND INDIAN BANKS IN INDIA (SEE ANNEX VII OF RUPEE AGREEMENT). FOR NEGOTIATING PURPOSES WITH THE GOI WE CONSIDERED THESE ACCOUNTS TO BE NON PL 480 RUPEES (OTHERWISE WE WOULD HAVE BEEN REQUIRED TO TURN THEM OR THEIR EQUIVALENT OVER TO THE GOI ON FEBRUARY 18). IN ACTUAL FACT THESE ACCOUNTS CONSISTED SOLELY OF PL 480 RUPEES SINCE WE HAD BEEN CONDUCTING ALL OUR OPERATIONS IN INDIA SOLELY WITH PL 480 RUPEES PRIOR TO FEBRUARY 18,1974. WHILE THERE IS NO NEED PHYSICALLY TO DEPOSIT OR FORMALLY TO CREDIT THESE RUPEES TO COOLEY B WE BELIEVE IT REASONABLE TO CREDIT NOTIONALLY THIS SUM TO OUR PL 480 RUPEE HOLDINGS AND THUS, IN EFFECT, TO COOLEY B.

4. THE SECOND SOURCE OF FUNDING IS A NOTIONAL ATTRIBUTION OF RS. 37 MILLION FROM JOINT RESEARCH PROJECTS WHICH WOULD OTHERWISE BE FUNDED FROM COOLEY B. COOLEY A ASSETS OF RS. 190 MILLION MUST BE ACCOUNTED FOR IN TERMS OF AID DISBURSEMENTS OF ABOUT RS. 101 MILLION AND FBO CAPITAL EXPENDITURES OF \$6.05 MILLION WHICH AT THE MOST FAVORABLE RATE OF RS. 8.28 TO THE DOLLAR (RATE IN EFFECT ON FEBRUARY 18,1974) CONVERTS TO RS. 52 MILLION. THIS LEAVES RS. 37 MILLION FOR "EXISTING JOINT RESEARCH OBLIGATIONS". IN FACT ALL BUT RS. 1 MILLION OF THIS CAN BE FUNDED FROM THE RUPEE ACCOUNT THEREBY PERMITTING US TO USE THESE PL 480 FUNDS FOR OTHER PURPOSES.

5. TO SUMMARIZE, COOLEY B RECEIPTS FOR FY 75-77 CONSIST OF COOLEY LOAN REFLOWS OF RS. 509.3 MILLION, CURRENT ACCOUNT ATTRIBUTION OF RS. 37 MILLION FOR A GRAND TOTAL OF RS. 602 MILLION.

6. SET AGAINST THIS MUST BE RS. 204 MILLION FOR FOUR CONVERSION PAYMENTS. INCLUDING THE PAYMENT DUE JULY 1,1977, AND RS. 195 MILLION FOR AID TO NEPAL (RS 30 MILLION OF WHICH ALREADY TRANSFERRED). IN ADDITION RS. 36 MILLION MAY BE REQUIRED FOR FBO (IN ADDITION TO FUNDING UNDER COOLEY A), RS. 22 MILLION FOR L OF C UNDER THE WORST CASE ASSUMPTION THAT AUTHORITY TO LIMITED OFFICIAL USE

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UTILIZE NON PL 480 FUNDS IS NOT RECEIVED FOR FY 76 AND 77 AND PERHAPS SOME SMALL AMOUNTS FOR THE DEPARTMENT OF INTERIOR AND OFFICE OF HUMAN DEVELOPMENT. (SEE EMBASSY'S COOLEY B PAPER FOR DETAILS). THIS TOTALS ROUGHLY RS. 460 MILLION.

7. TO SUMMARIZE AGAIN, IT IS REASONABLE TO ASSUME THAT A SURPLUS OF RS. 140 MILLION WILL BE AVAILABLE THROUGH FY 77 FOR ADDITIONAL USES. IT MIGHT BE NOTED THAT IN FY 78 AND LATER

RECEIPTS DROP BUT SO DO EXPENDITURES SINCE AID TO NEPAL IS TERMINATED.

8. WE WOULD LIKE TO RENEW THE FOLLOWING POLICY RECOMMENDATIONS:

- (A) AID/NEPAL BE AUTHORIZED BY OMB TO TRANSFER THE REMAINING RS. 34 MILLION FROM NEW DELHI FOR SUCH AID AUTHORIZED USES AS IT SEES FIT.
- B) THE LIBRARY OF CONGRESS BE REQUESTED TO INCLUDE A PROVISION IN ITS FY 1976 AUTHORIZATION LEGISLATION PERMANENTLY AUTHORIZING IT TO USE NON-PL 480 FUNDS.
- C) FBO BE REQUESTED TO IMPLEMENT ITS PLEDGE TO SEEK PERMANENT AUTHORIZATION TO USE NON-PL 480 FUNDS IN ITS FY 1976 BUDGET AUTHORIZATION REQUEST.
- D) THE DEPARTMENT OF THE INTERIOR AND OFFICE OF HUMAN DEVELOPMENT BE REQUESTED TO OBTAIN AUTHORITY TO USE NON-PL 480 FUNDS.

9. ACTION REQUESTED: WE WOULD AGAIN LIKE TO DRAW TO STATES'S AND AID'S ATTENTION THE NEED FOR IMMEDIATE ACTION ON THE ST. JOHNS GRANT. AGREEMENT HAD BEEN REACHED IN WASHINGTON BETWEEN REPRESENTATIVES OF STATE, AID, OMB AND TREASURY THAT THIS GRANT WOULD BE MADE IF THERE WERE SUFFICIENT FUNDS AVAILABLE IN COOLEY B. THE ABOVE DATA MAKES IT ABUNDANTLY CLEAR THE THE FUNDING IS AVAILABLE. ACCORDINGLY THE AMBASSADOR WILL ANNOUNCE ON NOVEMBER 18 DURING HIS VISIT TO ST. JOHNS IN BANGALORE THAT A GRANT OF RS. 26 MILLION WILL BE MADE TO THAT INSTITUTION FOR COMPLETION OF CONSTRUCTION PROJECTS AND EQUIPMENT PURCHASES. HE WILL ALSO SO NOTIFY THOSE LEADERS IN CONGRESS WHO ASSISTED THE ADMINISTRATION IN THE SUCCESSFUL DEFENCE OF THE RUPEE AGREEMENT. IT IS URGENTLY RECOMMENDED THAT THE NECESSARY PAPERWORK BE COMPLETED TO IMPLEMENT THIS ACTION.

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